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TO: Glenn Blanton, Director  
Civic Center

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 2, 2006

RE: 2006-2007 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Roger Short, Interim Chief Financial Officer  
Pam Scales, Budget Director  
Tanya Stoudemire, Budget Department Team Leader  
Kandia Milton, Mayor's Office

## Civic Center Department (14)

### FY 2006-2007 Budget Analysis by the Fiscal Division

#### Summary

The Civic Center Department is a General Fund Agency. The recommended 2006-2007 budgeted appropriations total \$14.8 million reflecting a decrease of \$8.2 million or 35.7% from the fiscal year 2005-2006 budgeted amount of \$23.0 million. Budgeted revenues are \$9.3 million reflecting a decrease of \$282,202 or 3.0% from fiscal 2005-2006.

The budgeted appropriations of \$14.8 million and revenues of \$9.3 million create a net tax cost of \$5.5 million to the City, which is \$7.9 million less than the fiscal year 2005-2006 budget amount of \$13.4 million.

\$6.7 million of the \$8.4 million decrease in City Appropriations is due to the consolidation of the Civic Center's Maintenance, Security, and Property Management functions in the new General Services Department.

#### 2005-2006 Surplus/(Deficit)

The estimated deficit in the Civic Center Department for fiscal year 2005-2006 is \$7.3 million. This deficit is due to a \$3.4 million appropriation shortfall caused when the Civic Center Department was not transferred to a regional authority as proposed in the Mayor's 2005-2006 Recommended Budget. In addition, Concessions Revenues and Building Rentals are \$3.9 million lower than budgeted.

#### Overtime

The Mayor's 2006-2007 Proposed Budget includes \$176,250 for overtime in the Civic Center Department. This reflects a decrease of \$235,950 or 57.2% from the fiscal year 2005-2006 budgeted amount of \$412,200. As of March 31, 2006, the Civic Center has expended \$391,433 or 95.0% of the fiscal year 2005-2006 budgeted overtime amount.

#### Turnover Savings

There are no turnover savings for the Civic Center Department in fiscal year 2006-2007.

#### Proposed Layoffs and Vacant Position Reductions

The Mayor's 2006-2007 Proposed Budget includes a reduction of 51 positions within the Civic Center Department from the 2005-2006 Budget. 13 positions were eliminated during fiscal year 2005-2006, 11 positions are proposed layoffs, 20 positions are transferred to the General Services Department, and 7 vacant positions are eliminated.

#### Significant Changes in Funding by Appropriation

##### *Appro. Program*

00008 Administration

The Mayor's 2006-2007 Proposed Budget projects a net increase in appropriations of \$320,517. Administration is budgeted to increase \$292,517. This increase is primarily due to a \$276,990 increase in

Salaries and Employee Benefits. Arena Taxes is budgeted to increase due to an increase in Property Taxes of \$28,000.

00011	Cobo Center	<p>The Mayor's 2006-2007 Proposed Budget projects a net decrease in appropriations of \$8.3 million. Operations are expected to decrease by \$4.3 million, Maintenance is expected to decrease by \$3.6 million, and Security is expected to decrease by \$1.0 million; offset by an increase in Sales of \$371,365, an increase in Building Services of \$249,282, and an increase in the Information Desk of \$22,670.</p> <p>The \$4.3 million decrease in Operations represents the money Council added back to the budget in fiscal year 2005-2006 because the Civic Center was only funded for six months. The entire amount was budgeted in Operations rather than allocated among the various Civic Center appropriations.</p> <p>The \$3.6 million reduction in Maintenance and the reduction in Security of \$1.0 million represent the salary, fringe benefits, and contract services amounts associated with the consolidation of these services in the General Services Department.</p>
00890	Cobo Center	<p>The Mayor's 2006-2007 Proposed Budget projects a net increase in appropriations of \$210,000 due to an increase in Major Repairs – Buildings of \$210,000.</p>
11150	Property Management	<p>The Mayor's 2006-2007 Proposed Budget projects a net decrease in appropriations of \$469,903. Hart Plaza Management is decreased by \$548,324, offset by an increase in Property Management Administration Salaries and Employee Benefits of \$78,421.</p> <p>The decrease in Hart Plaza Management is due primarily to the transfer of contracted services to the General Services Department.</p>

#### Significant Revenue Changes by Appropriation and Source

00008	Administration	<p>The Mayor's 2006-2007 Proposed Budget includes an \$826,000 decrease in revenues primarily due to a \$175,000 decrease in Other Utility Revenue, a \$458,000 decrease in Building Rentals, a \$215,000 decrease in Miscellaneous Concessions, and a \$20,000 increase in Equipment Rentals.</p>
00890	Cobo Renewal and Replacement	<p>The Mayor's 2006-2007 Proposed Budget projects an increase of \$210,000 in transfers from other funds.</p>
11150	Property	<p>The Mayor's 2006-2007 Proposed Budget projects a</p>

Management	\$333,798 increase in Property Management primarily due to an increase in Hart Plaza Management's Building Rentals of \$435,798; a decrease of \$38,000 in Rental-Public Buildings, and a decrease in acquired property of \$24,000. Veterans Memorial Building's Other Utility Revenue is also expected to decrease \$40,000.
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### Issues and Questions

1. The Mayor expects Civic Center to end with a \$7.3 million deficit by June 30, 2006. Almost half of the deficit relates to the unsuccessful transfer of the department over to a regional authority that was envisioned by the Mayor his proposed 2005-06 budget. Council added back \$4.3 million to Civic Center's budget to allow the department to operate for at least nine months in the current fiscal year. However, the Mayor removes this funding again in the recommended budget for 2006-07 (see a \$4.28 million reduction at org. number 140045 Operations under appropriation 00011 Cobo Center on page 14-8 of the Executive Budget). How would the department avoid a deficit in 2006-07 if Council approved the Mayor's recommended budget if the funding Council put in this year is not restored? Does the department plan to operate for the entire fiscal 2006-07 year? It appears the department is going to struggle next year given the fact that departmental revenues are scheduled to fall below even further from budgeted revenues for 2005-06.
2. Page 14-2: goals include employee training and empowerment initiatives. The Mayor's 2006-2007 Proposed Budget includes \$2,288 for Training-Tuition Reimbursement. How much will it cost to implement TQM? Where is training for TQM included in the Budget?
3. How will the layoff of eleven (11) budgeted positions effect the operations of the Civic Center?
4. How does the Civic Center expect that the consolidation of its maintenance and security functions in the General Services Department will effect its operations?
5. What is the status of the dispute regarding commission revenues for electrical services between Civic Center and Metro Services? Is the Civic Center receiving 15% commission revenue as stated in the Contract, or is it still accepting 3% for commission revenue?
6. What progress has been made toward the new "Efficiency Agreement" with the exhibit hall labor unions? What is the likelihood that the new agreement will be in place during fiscal year 2006-2007?
7. If the new efficiency agreement is not in place by the summer of 2006, what effect will it have on revenues in fiscal 2006-2007?
8. What new significant revenue generating events does the Civic Center envision for fiscal 2006-2007?
9. Why is there a \$500,000 reduction in the Insurance Premium for Maintenance?